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The Agency Resource Review Process and O/PPB

1. The task of managing the Central Intelligence Agency can be divided analytically into three separate but interrelated management processes. These are: (a) the processes relating to management of the operating programs of the four Directorates; (b) those relating to management of special problem areas like research and development, information processing/ADP, or property procurement; and (c) those concerned with Agency-wide resource review, or the budget function. In this paper we discuss the relationship between these processes, and make several points about the resource review process as it is managed within CIA and in the Federal Government generally.

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2. Management of substantive operating activities within CIA (DDO operations; the intelligence production, collection, R&D, and other activities of DDI and DDS&T; and the logistics, medical, finance, and other services of DDM&S), is fundamentally a line function of the Deputy Director concerned, with review by the DCI according to criteria agreed to by the Deputy Director in question and the DCI.

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Each of the four deputies is constantly reviewing and adjusting his substantive program as he makes decisions on key issues, personnel appointments, etc. In addition, each deputy carries out an annual review of his activities to develop the Directorate's budget submission to O/PPB. This review is, or should be, helpful to each of the deputies in assessing progress toward objectives, and in identifying problem areas and opportunities for new initiatives.

3. There is a laudable emphasis at CIA on selecting the proper people to manage the activities of the four Directorates, giving them the resources necessary to do their task, and then letting them carry out their task with a minimum of overall supervision. There is no necessary inconsistency, however, between this statement and our assertion that the DCI needs a rigorous independent internal resource review, in which all programs are carefully examined. Just as the President looks to department and agency heads to manage the overall Federal program, so he reviews the resource needs of all the departments and agencies--establishing his priorities by adding money to some programs and taking it away from others. The DCI has little choice but to exercise the same function with regard to the four Directorates. (If he doesn't review the requests of the four deputies,

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resolving inconsistencies, relating CIA activities to community resource issues, and impressing upon the program his own set of priorities, he leaves the task to OMB and/or the Congress.)

4. Four specific areas are the subject of continuing specific reviews by other than Deputy Directors acting unilaterally. They thus represent variations on the general theme of "select good people and hold them responsible for performance." Two of these areas are research and development and information handling, both of which are functional problem areas which cut across all four Directorates and are monitored in two special forums, an R&D Board and an Information Processing Board. This special procedure was thought necessary because the highly technical nature of these activities requires management attention across organizational lines if all of the benefits of technology are to be realized at minimal cost. (In fact, the Chairmen, rather than the Boards, have been the principal actors.) Another



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equipment, etc. (Again, the Chairman has been the significant figure, the Board generally acceding.) Finally, property procurement and inventory management are centralized within the Office of Logistics of the DDM&S. This ensures standardized procurement practices, and the maintenance of fixed inventory levels through a stock fund justified by the consuming office, but administered by Logistics.

5. The resource review or budget process, the third of the processes identified above, is our principal interest here. It is a year-round review by O/PPB and the DDM&S (now exercising the comptroller's function) of resource requirements and utilization patterns by all 55 CIA offices. The review process reaches its activity peak when CIA presents its request for the forthcoming budget year to OMB, but the process continues year-round. The budget process represents the most systematic and comprehensive violation of the general disposition to "let line managers manage." It is, however, the only comprehensive examination of his program that the DCI normally has an opportunity to carry out, and it is the only one in which all of the activities of all four Directorates compete for funding priority at one time. Most important, the resource review process gives the DCI

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(or his agent) a different "look" at the CIA program than he gets through his day-to-day management of substantive or operational tasks, most of which are specific to one of the four Directorates.

6. The resource review or budget function exists, in the final analysis, because resources are scarce. If line managers could have all of the resources they asked for, there would be no need for a budget function; we would simply audit expenditures centrally to be sure that they were made in accordance with the law. This is an indirect way of saying that the budget function is essentially a service to the DCI; that is, it helps him reconcile the desires of line managers with his ability to get resources from OMB and the Congress. Here, it is useful to point out that the functions of many DDM&S offices are regarded as services to the other Directorates. Finance, Communications, Logistics, Medical Services and other offices are usually considered the providers of needed services. Almost no one in a line component regards outside review by O/PPB as a needed service! The exercise of the budget function in any organization rarely pleases line managers. It is not a popular function nor will it ever be.

7. The amount and kind of attention which the budget process requires from an organization's top management varies from agency to

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agency. For an organization like the State Department, the budget decisions with which top management is seriously concerned tend to be personnel resource decisions. This directly reflects the fact that 75% of the regular State Department budget consists of personnel expenses. Essential choices tend to concern, for example, the Bureau of Intelligence and Research's desire for 30 more economists compared with Near East Division's request that 20 more desk officers be made available--all within a stable or even declining overall personnel ceiling. Other costs to be considered in such a budget may not be minor, but they need not generally involve top management's continuing attention. Travel expenses, for example, tend to "follow" personnel costs and changes are related mostly to cost changes. Other budget issues are likely to be of similarly minor interest to the Department's top management.

8. The basic nature of an organization's task also has a good deal to do with how important the budget function is to top management. It can be argued that the State Department's budget could be reduced or increased by 20% and that such changes would not significantly affect important missions, at least in the short run, such as the Department's ability to help bring about a Middle East settlement.

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Resource questions are simply of minor importance in the total context of State's mission. Therefore, there is an understandable and probably justifiable inclination for the top management of State to regard the budget function as a relatively unimportant administrative task.

9. The opposite situation exists in some other organizations. Consider the case of the Office of Economic Opportunity a few years ago which had a 1970 budget of about \$2 billion spent by only 3,000 Federal employees whose total cost was about \$60 million. Three percent of the total OEO budget was devoted to personnel costs, and 97% was made up of program funds for which several major operating components competed. In this case, because OEO's impact (if not effectiveness) was directly related to the size of its budget, significant changes in the budget had a profound effect on the organization's mission.

10. The importance of the budget function in State and OEO can be seen in the organizational location accorded to each. In both organizations, the function is lodged in a central staff reporting to top management. But in the OEO example, the director of resource review was organizationally equal to the directors of the four operating

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components. In point of fact, he was first among equals. In the case of State, however, the budget function was (and is) lodged less prominently within the Office of Administration reporting to a Deputy Undersecretary.

11. The examples cited above suggest a simple point: the more non-personnel resources an organization has in comparison to personnel resources, the more importance is likely to be attached to the budget function by top management, and the more critical resource considerations tend to be to the organization's day-to-day operations. If this observation is valid, greater attention ought to be paid within CIA to the budget function as a management tool than is the case at the State Department. But resource review need not be considered to be nearly as important here, where 55% of the CIA budget is related to personnel costs, as in the OEO example. Of course, the many roles and responsibilities of the DCI as a substantive intelligence advisor to the President, as a Congressional briefer, and as a major voice in many intelligence community matters--in addition to his day-to-day CIA management responsibilities--also affect the emphasis he can give to resource considerations. On the other hand, it is also true that the more scarce resources become, the greater the attention the DCI needs

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to pay to resource questions in order to assure accomplishment of his objectives.

12. The resource review function is a fundamental responsibility of the DCI. He may, of course, delegate the function in any way he chooses, thereby creating someone as his agent for resource review. Formerly, the task was largely delegated to the Executive Director-Comptroller with staff support from O/PPB. Now it is clear that the DDM&S will serve as the DCI's agent for resource review, supported by O/PPB.


13. To the extent O/PPB's resource review task is a personnel allocation review task, it can be performed fairly and easily from location within the DDM&S. The experience of other agencies and departments supports this view. The greater the percentage of non-personnel resources in an organization, however, the greater the necessity that their review be conducted by a disinterested party. This is particularly true in CIA where the resource allocation process has traditionally been surrounded by, and conducted in, a highly competitive atmosphere. To the extent that the DDM&S is viewed as a competitor for non-personnel resources by the other Directorates, O/PPB's ability (as a part of the DDM&S) to review other Directorate

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activities will be reduced. Thus, O/PPB's ability to review other resources will be affected by organizational changes within the DDM&S. Decisions to transfer major operational programs to other Directorates will help--as in the case of the transfer of selected Office of Communications' functions to the DDO.

14. O/PPB's ability to carry out an effective staff resource management role is totally dependent upon its access to information from each of the four Directorates. O/PPB's ability to get information rests in part upon the perception of the four deputies that resource review is a DCI responsibility. Thus, O/PPB's organizational location within the DDM&S should reflect the fact that resource review is a DCI function being carried out by the DDM&S.


Deputy Director of Planning,
Programming, and Budgeting

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